

CITY OF SLATER

Independent Auditors' Reports
Basic Financial Statements and Supplementary Information
Schedule of Findings

June 30, 2010

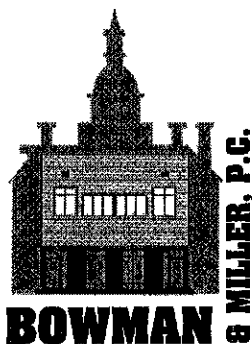
Table of Contents

	<u>Page</u>
Officials	1
Independent Auditors' Report	2-3
Management's Discussion and Analysis	4-8
Basic Financial Statements:	<u>Exhibit</u>
Government-wide Financial Statement:	
Statement of Activities and Net Assets – Cash Basis	A 9-10
Governmental Fund Financial Statement:	
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	B 11-12
Proprietary Fund Financial Statement:	
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	C 13
Notes to Financial Statements	14-20
Required Supplementary Information:	
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances – Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Funds	21-22
Notes to Required Supplementary Information – Budgetary Reporting	23
Other Supplementary Information:	<u>Schedule</u>
Schedule of Indebtedness	1 24-25
Bond and Note Maturities	2 26-27
Schedule of Receipts by Source and Disbursements by Function – All Governmental Funds	3 28
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>	29-30
Schedule of Findings	31-33
Staff	34

CITY OF SLATER

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(Before January 2010)		
Gary Halverson	Mayor	Jan 2010
Gene Staples	Mayor Pro Tem	Jan 2010
Ken May	Council Member	Jan 2010
Tim Locker	Council Member	Jan 2010
Mike Higgs	Council Member	Jan 2012
Steve Ransom	Council Member	Jan 2012
Mary E. Chinery	City Administrator/Clerk	Indefinite
Frank Feilmeyer	City Attorney	Jan 2012
(After January 2010)		
Gary Halverson	Mayor	Jan 2012
Gene Staples	Mayor Pro Tem	Jan 2014
Ken May	Council Member	Jan 2014
Tim Locker	Council Member	Jan 2014
Mike Higgs	Council Member	Jan 2012
Steve Ransom	Council Member	Jan 2012
Mary E. Chinery	City Administrator/Clerk	Indefinite
Frank Feilmeyer	City Attorney	Jan 2012



C E R T I F I E D ♦ P U B L I C ♦ A C C O U N T A N T S

24 EAST MAIN STREET • MARSHALLTOWN, IOWA 50158 • 641-753-9337 • FAX 641-753-6366
418 2ND STREET • GLADBROOK, IOWA 50635 • 641-473-2717 • FAX 641-753-6366
4949 PLEASANT STREET • SUITE 206 • WEST DES MOINES, IOWA 50266 • 515-278-0286 • FAX 515-278-0287

James R. Bowman, CPA • jim@bowmanandmillerpc.com
Elizabeth A. Miller, CPA • beth@bowmanandmillerpc.com

Independent Auditors' Report

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Slater, Iowa, as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Slater's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Slater as of June 30, 2010, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated November 12, 2010 on our consideration of the City of Slater's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 8 and 21 through 23 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Slater's basic financial statements. The financial statements for the two years ended June 30, 2008 (which are not presented herein) were audited by other auditors who expressed unqualified opinions on those financial statements which were prepared in conformity with an other comprehensive basis of accounting. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the years ended June 30, 2006 and June 30, 2009 (which are not presented herein) and expressed unqualified opinions on those financial statements which were prepared in conformity with an other comprehensive basis of accounting. Other supplementary information included in Schedules 1 through 3, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Bowman and Miller, P.C.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Slater provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2010. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2010 FINANCIAL HIGHLIGHTS

- Receipts of the City's governmental activities decreased 29.0%, or approximately \$456,200, from fiscal year 2009 to fiscal year 2010. Note proceeds decreased approximately \$245,800 and capital grants, contributions and restricted interest decreased \$151,000.
- Disbursements of the City's governmental activities decreased 21.4%, or approximately \$333,900, in fiscal year 2010 from fiscal year 2009. Debt service and capital projects disbursements decreased approximately \$132,100 and \$147,900, respectively.
- The City's total cash basis net assets decreased 3.5%, or approximately \$54,400, from June 30, 2009 to June 30, 2010. Of this amount, the assets of the governmental activities decreased approximately \$107,600 and the assets of the business type activities increased approximately \$53,200.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Statement of Activities and Net Assets. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statement by providing information about the most significant funds.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the City's budget for the year.

Other Supplementary Information provides detailed information about the City's indebtedness.

BASIS OF ACCOUNTING

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, readers should keep in mind the limitations resulting from the use of the cash basis of accounting.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Activities and Net Assets reports information which helps answer this question.

The Statement of Activities and Net Assets presents the City's net assets. Over time, increases or decreases in the City's net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities and Net Assets is divided into two kinds of activities:

- Governmental Activities include public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the waterworks, resource recovery-landfill and the sanitary sewer system. These activities are financed primarily by user charges.

Fund Financial Statements

The City has two kinds of funds:

1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax and Tax Increment Financing, 3) the Debt Service Fund, 4) the Capital Projects Fund and 5) the Permanent Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statement for governmental funds is a statement of cash receipts, disbursements and changes in cash balances.

2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains three Enterprise Funds to provide separate information for the Water, Resource Recovery-Landfill and Sewer Funds, considered to be major funds of the City.

The required financial statement for proprietary funds is a statement of cash receipts, disbursements and changes in cash balances.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities decreased from a year ago, decreasing from approximately \$1,269,000 to approximately \$1,161,000. The analysis that follows focuses on the changes in cash basis net assets of governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities		
	Year Ended June 30,	
	2010	2009
Receipts:		
Program receipts:		
Charges for service	\$ 69,295	\$ 70,006
Operating grants, contributions and restricted interest	158,080	200,070
Capital grants, contributions and restricted interest	-	151,000
General receipts:		
Property tax	717,713	690,926
Local option sales tax	154,361	166,271
Other city tax	1,934	7,020
Unrestricted interest on investments	6,316	7,299
Note proceeds	-	245,823
Other general receipts	<u>11,842</u>	<u>37,354</u>
Total receipts	<u>1,119,541</u>	<u>1,575,769</u>
Disbursements:		
Public safety	96,244	92,814
Public works	121,697	208,753
Health and social services	-	1,777
Culture and recreation	209,592	223,164
Community and economic development	21,312	9,453
General government	115,131	81,978
Debt service	335,583	467,647
Capital projects	<u>327,614</u>	<u>475,512</u>
Total disbursements	<u>1,227,173</u>	<u>1,561,098</u>
Change in cash basis net assets	(107,632)	14,671
Cash basis net assets beginning of year	<u>1,268,725</u>	<u>1,254,054</u>
Cash basis net assets end of year	\$ <u>1,161,093</u>	\$ <u>1,268,725</u>

The City's total receipts for governmental activities decreased 29.0%, or approximately \$456,200. The total cost of all programs and services decreased approximately \$333,900, or 21.4%, with no new programs added this year. The decrease in receipts was primarily the result of a decrease in note proceeds and capital grants, contributions, and restricted interest.

The cost of all governmental activities this year was approximately \$1,227,000 compared to approximately \$1,561,000 last year. However, as shown in the Statement of Activities and Net Assets on pages 9-10, the amount taxpayers ultimately financed for these activities was only \$999,800 because some of the cost was paid by those directly benefited from the programs (\$69,300) or by other governments and organizations which subsidized certain programs with grants, contributions and restricted interest (\$158,100). Overall, the City's governmental activities program receipts, including intergovernmental aid and fees for service, decreased in fiscal year 2010 from approximately \$421,100 to approximately \$227,400, principally due to receiving a REAP grant of \$150,000 in the previous fiscal year. The City paid for the remaining "public benefit" portion of

governmental activities (\$999,800) with taxes (some of which could only be used for certain programs) and other receipts, such as interest and other general receipts.

Changes in Cash Basis Net Assets of Business Type Activities		
	Year ended June 30,	
	2010	2009
Receipts:		
Program receipts:		
Charges for service:		
Water	\$ 250,061	\$ 232,657
Sewer	273,638	282,192
Resource recovery - landfill	38,899	35,503
Note proceeds	<u>13,655</u>	<u>9,547</u>
Total receipts	<u>576,253</u>	<u>559,899</u>
Disbursements:		
Water	266,610	236,838
Sewer	228,132	198,856
Resource recovery - landfill	<u>28,302</u>	<u>13,817</u>
Total disbursements	<u>523,044</u>	<u>449,511</u>
Change in cash basis net assets	53,209	110,388
Cash basis net assets beginning of year	<u>304,359</u>	<u>193,971</u>
Cash basis net assets end of year	<u>\$ 357,568</u>	<u>\$ 304,359</u>

Total business type activities receipts for the fiscal year were approximately \$576,300 compared to approximately \$559,900 last year. The cash balance increased approximately \$53,200 from the prior year because of an increase in receipts for water service. Total disbursements for the fiscal year increased 16.4% to approximately \$523,000.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Slater completed the year, its governmental funds reported a combined fund balance of \$1,161,093, a decrease of approximately \$107,600 from last year's total of \$1,268,725. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund cash balance increased \$47,872 from the prior year to \$244,730. This was primarily due to a decrease in the amount of disbursements.
- The Special Revenue, Road Use Tax Fund cash balance increased \$16,732 to \$39,180 during the fiscal year. The increase is due to a decrease in spending for street maintenance in fiscal year 2010.
- The Special Revenue, Tax Increment Financing Fund cash balance increased by \$137,329 to \$143,640 due to a decrease in debt service disbursements.
- The Special Revenue, Local Option Sales Tax Fund cash balance increased by \$9,361 to \$183,623 as a result of a decrease in transfers out.
- The Special Revenue, Economic Development Fund cash balance decreased by \$3,652 to \$196,348 due to an increase in community and economic development disbursements.
- The Capital Projects Fund cash balance decreased by \$327,614 to \$281,760 primarily because of a decrease in intergovernmental receipts and note proceeds.

- The Debt Service Fund cash balance increased by \$12,000 to \$61,201 from the prior year as a result of a transfer in.
- The Permanent Fund cash balance remained virtually unchanged from the prior year.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Enterprise, Water Fund cash balance decreased by \$2,894 to a deficit balance of \$22,137.
- The Enterprise, Sewer Fund cash balance increased by \$45,506 to \$343,673.
- The Enterprise, Resource Recovery -- Landfill Fund cash balance increased by \$10,597 to \$36,032.

BUDGETARY HIGHLIGHTS

The City amended its budget once during the year. The amendment was approved on May 3, 2010 and resulted in an increase in operating disbursements and other financial uses. The City had sufficient cash balances to absorb the additional costs.

The City's disbursements did not exceed the amounts budgeted.

DEBT ADMINISTRATION

At June 30, 2010, the City had \$2,818,127 of long-term debt outstanding, compared to \$3,112,472 outstanding last year, as shown below.

	Outstanding Debt at Year-End	
	June 30,	
	2010	2009
General obligation notes	\$ 1,571,500	\$ 1,786,500
Water revenue note	243,627	260,972
Sewer revenue bonds	<u>1,003,000</u>	<u>1,065,000</u>
Total	\$ <u>2,818,127</u>	\$ <u>3,112,472</u>

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$1,571,500 is significantly below its constitutional debt limit of approximately \$3,919,000.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City of Slater's elected and appointed officials and citizens considered many factors when setting the fiscal year 2011 budget, tax rates and fees charged for various City activities.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Mary Chinery, City Administrator, 105 Greene Street, Slater, Iowa 50244.

CITY OF SLATER
Statement of Activities and Net Assets - Cash Basis
As of and for the year ended June 30, 2010

	Disbursements	Program Receipts	
		Charges for Service	Operating Grants, Contributions and Restricted Interest
Functions/Programs:			
Governmental activities:			
Public safety	\$ 96,244	5,398	20,651
Public works	121,697	-	121,147
Culture and recreation	209,592	63,897	8,075
Community and economic development	21,312	-	8,207
General government	115,131	-	-
Debt service	335,583	-	-
Capital projects	327,614	-	-
Total governmental activities	<u>1,227,173</u>	<u>69,295</u>	<u>158,080</u>
Business type activities:			
Water	266,610	250,061	-
Sewer	228,132	273,638	-
Resource recovery - landfill	28,302	38,899	-
Total business type activities	<u>523,044</u>	<u>562,598</u>	<u>-</u>
Total	<u>\$ 1,750,217</u>	<u>631,893</u>	<u>158,080</u>

General receipts:

Property and other city tax levied for:
 General purposes
 Debt service

Tax increment financing
Local option sales tax
Other city tax
Licenses and permits
Unrestricted interest on investments
Note proceeds
Miscellaneous

Total general receipts

Change in cash basis net assets

Cash basis net assets beginning of year

Cash basis net assets end of year

Cash Basis Net Assets

Restricted:

 Nonexpendable:
 Cemetery perpetual care

 Expendable:
 Streets
 Debt service
 Urban renewal purposes
 Other purposes

Unrestricted

Total cash basis net assets

Net (Disbursements) Receipts and Changes in Cash Basis Net Assets		
Governmental Activities	Business Type Activities	Total
(70,195)	-	(70,195)
(550)	-	(550)
(137,620)	-	(137,620)
(13,105)	-	(13,105)
(115,131)	-	(115,131)
(335,583)	-	(335,583)
(327,614)	-	(327,614)
(999,798)	-	(999,798)
-	(16,549)	(16,549)
-	45,506	45,506
-	10,597	10,597
-	39,554	39,554
(999,798)	39,554	(960,244)
289,801	-	289,801
235,150	-	235,150
192,762	-	192,762
154,361	-	154,361
1,934	-	1,934
3,862	-	3,862
6,316	-	6,316
-	13,655	13,655
7,980	-	7,980
892,166	13,655	905,821
(107,632)	53,209	(54,423)
1,268,725	304,359	1,573,084
\$ 1,161,093	357,568	1,518,661
\$ 10,611	-	10,611
39,180	-	39,180
61,201	15,192	76,393
143,640	-	143,640
379,971	-	379,971
526,490	342,376	868,866
\$ 1,161,093	357,568	1,518,661

CITY OF SLATER
Statement of Cash Receipts, Disbursements and
Changes in Cash Balances
Governmental Funds
As of and for the year ended June 30, 2010

	Special		
	General	Road Use Tax	Tax Increment Financing
Receipts:			
Property tax	\$ 289,801	-	-
Tax increment financing	-	-	192,762
Other city tax	1,934	-	-
Licenses and permits	3,862	-	-
Use of money and property	7,216	-	-
Intergovernmental	29,926	121,147	-
Charges for service	68,955	-	-
Miscellaneous	11,473	-	-
Total receipts	413,167	121,147	192,762
Disbursements:			
Operating:			
Public safety	96,244	-	-
Public works	17,282	104,415	-
Culture and recreation	209,592	-	-
Community and economic development	15,046	-	-
General government	115,131	-	-
Debt service	-	-	38,433
Capital projects	-	-	-
Total disbursements	453,295	104,415	38,433
Excess (deficiency) of receipts over (under) disbursements	(40,128)	16,732	154,329
Other financing sources (uses):			
Operating transfers in	88,000	-	-
Operating transfers out	-	-	(17,000)
Total other financing sources (uses)	88,000	-	(17,000)
Net change in cash balances	47,872	16,732	137,329
Cash balances beginning of year	196,858	22,448	6,311
Cash balances end of year	\$ 244,730	39,180	143,640
Cash Basis Fund Balances			
Reserved for debt service	\$ -	-	-
Unreserved:			
General fund	244,730	-	-
Special revenue funds	-	39,180	143,640
Capital projects fund	-	-	-
Permanent fund	-	-	-
Total cash basis fund balances	\$ 244,730	39,180	143,640

Revenue		Capital Projects	Debt Service	Permanent Fund	Total
Local Option Sales Tax	Economic Development				
-	-	-	235,150	-	524,951
-	-	-	-	-	192,762
154,361	-	-	-	-	156,295
-	-	-	-	-	3,862
-	-	-	-	-	7,216
-	2,614	-	-	-	153,687
-	-	-	-	340	69,295
-	-	-	-	-	11,473
154,361	2,614	-	235,150	340	1,119,541
-	-	-	-	-	96,244
-	-	-	-	-	121,697
-	-	-	-	-	209,592
-	6,266	-	-	-	21,312
-	-	-	-	-	115,131
-	-	-	297,150	-	335,583
-	-	327,614	-	-	327,614
-	6,266	327,614	297,150	-	1,227,173
154,361	(3,652)	(327,614)	(62,000)	340	(107,632)
-	-	-	74,000	-	162,000
(145,000)	-	-	-	-	(162,000)
(145,000)	-	-	74,000	-	-
9,361	(3,652)	(327,614)	12,000	340	(107,632)
174,262	200,000	609,374	49,201	10,271	1,268,725
183,623	196,348	281,760	61,201	10,611	1,161,093
-	-	-	61,201	-	61,201
-	-	-	-	-	244,730
183,623	196,348	-	-	-	562,791
-	-	281,760	-	-	281,760
-	-	-	-	10,611	10,611
183,623	196,348	281,760	61,201	10,611	1,161,093

CITY OF SLATER
Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Proprietary Funds
As of and for the year ended June 30, 2010

	Enterprise			
	Resource Recovery -			
	Water	Sewer	Landfill	Total
Operating receipts:				
Charges for service	\$ 249,836	273,638	38,899	562,373
Miscellaneous	225	-	-	225
Total operating receipts	250,061	273,638	38,899	562,598
Operating disbursements:				
Business type activities	227,629	134,182	28,302	390,113
Total operating disbursements	227,629	134,182	28,302	390,113
Excess of operating receipts over operating disbursements	22,432	139,456	10,597	172,485
Non-operating receipts (disbursements):				
Revenue note proceeds	13,655	-	-	13,655
Debt service	(31,000)	(62,000)	-	(93,000)
Interest expense	(7,981)	(31,950)	-	(39,931)
Net non-operating disbursements	(25,326)	(93,950)	-	(119,276)
Net change in cash balances	(2,894)	45,506	10,597	53,209
Cash balances beginning of year	(19,243)	298,167	25,435	304,359
Cash balances end of year	\$ (22,137)	343,673	36,032	357,568
Cash Basis Fund Balances				
Reserved for debt service	\$ -	15,192	-	15,192
Unreserved	(22,137)	328,481	36,032	342,376
Total cash basis fund balances	\$ (22,137)	343,673	36,032	357,568

CITY OF SLATER
Notes to Financial Statements
June 30, 2010

(1) Summary of Significant Accounting Policies

The City of Slater is a political subdivision of the State of Iowa located in Story County. It was first incorporated in 1889 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development and general government services. The City also provides water, landfill and sewer utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Slater has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City. The City has no component units which meet the Governmental Accounting Standards Board criteria.

B. Basis of Presentation

Government-wide Financial Statement – The Statement of Activities and Net Assets reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Activities and Net Assets presents the City's nonfiduciary net assets. Net assets are reported in the following categories/components:

Nonexpendable restricted net assets are subject to externally imposed stipulations which require them to be maintained permanently by the City, including the City's Permanent Fund.

Expendable restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets not meeting the definition of the preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

CITY OF SLATER
Notes to Financial Statements (Continued)
June 30, 2010

(1) Summary of Significant Accounting Policies (Continued)

B. Basis of Presentation (Continued)

The Statement of Activities and Net Assets demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements – Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs not paid from other funds.

Special Revenue:

The Road Use Tax Fund is used to account for road construction and maintenance.

The Tax Increment Financing Fund is used to account for tax increment financing collections and the repayment of tax increment financing indebtedness.

The Local Option Sales Tax Fund is used to account for the local option sales tax receipts.

The Economic Development Fund is used to account for the economic development activities of the City.

The Debt Service Fund is utilized to account for the payment of interest and principal on the City's general long-term debt.

The Capital Projects Fund is used to account for projects associated with the pool, bike path, and demolition of old buildings.

The Permanent Fund is used to account for funds collected for the perpetual care of the cemetery.

CITY OF SLATER
Notes to Financial Statements (Continued)
June 30, 2010

(1) Summary of Significant Accounting Policies (Continued)

B. Basis of Presentation (Continued)

The City reports the following major proprietary funds:

The Enterprise, Water Fund accounts for the operation and maintenance of the City's water system.

The Enterprise, Sewer Fund accounts for the operation and maintenance of the City's wastewater treatment and sanitary sewer system.

The Enterprise, Resource Recovery – Landfill Fund accounts for the per capita charge from using the City of Ames resource recovery plant.

C. Measurement Focus and Basis of Accounting

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2010, disbursements did not exceed the amounts budgeted.

CITY OF SLATER

Notes to Financial Statements (Continued)

June 30, 2010

(2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2010 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

Interest rate risk – The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the City.

(3) Bonds and Notes Payable

Annual debt service requirements to maturity for general obligation notes and water and sewer revenue notes and bonds are as follows:

Year Ending June 30,	General Obligation Notes		Revenue Bonds and Note				Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2011	\$ 221,500	70,486	243,627	-	64,000	30,090	529,127	100,576
2012	197,000	60,799	-	-	66,000	28,170	263,000	88,969
2013	203,000	51,978	-	-	68,000	26,190	271,000	78,168
2014	214,500	42,739	-	-	70,000	24,150	284,500	66,889
2015	221,000	32,869	-	-	72,000	22,050	293,000	54,919
2016-2020	514,500	54,274	-	-	396,000	76,350	910,500	130,624
2021-2025	-	-	-	-	267,000	16,200	267,000	16,200
	\$ <u>1,571,500</u>	<u>313,145</u>	<u>243,627</u>	<u>-</u>	<u>1,003,000</u>	<u>223,200</u>	<u>2,818,127</u>	<u>536,345</u>

The water revenue capital loan note and sewer revenue bonds were issued for construction of water and wastewater projects of the City. The resolution providing for the issuance of the revenue bonds include the following provisions: (a) the bonds will only be redeemed from the future earnings of the enterprise activity funds and the bond holders hold a lien on the future earnings of the funds, (b) sufficient monthly transfers shall be made to a separate sewer bond sinking accounts for the purpose of making the bond principal and interest payments when due.

CITY OF SLATER
Notes to Financial Statements (Continued)
June 30, 2010

(4) Pension and Retirement Benefits

The City contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Most regular plan members are required to contribute 4.30% of their annual covered salary and the City is required to contribute 6.65% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contribution to IPERS for the years ended June 30, 2010, 2009, and 2008 were \$16,680, \$14,699 and \$15,423, respectively, equal to the required contributions for each year.

(5) Other Postemployment Benefits (OPEB)

Plan Description – The City operates a single-employer retiree benefit plan which provides medical/prescription drug and dental benefits for retirees and their spouses. There are 6 active and 1 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug and dental benefits are provided through a partially self-funded medical plan administered by Auxiant. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees.

Funding Policy – The contribution requirements of plan members are established and may be amended by the City. The City currently finances the retiree benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and plan members are \$455 for single coverage and \$949 for family coverage. The most recent retiree member monthly premium for the City and plan member is \$758 for single coverage, however, the City contributes the difference between the active and retiree member's premium rate. For the year ended June 30, 2010, the City contributed 100% of the plan membership for active members and a portion of the plan membership for the retiree at a cost of \$65,538. The retiree member eligible for benefits contributed \$3,718 to the plan.

(6) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation payable to employees at June 30, 2010, primarily relating to the General Fund, is as follows:

Type of Benefit	Amount
Vacation	\$ 16,358

This liability has been computed based on rates of pay in effect at June 30, 2010.

CITY OF SLATER
Notes to Financial Statements (Continued)
June 30, 2010

(7) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2010 is as follows:

Transfer to	Transfer from	Amount
General Fund	Special Revenue: Local Option Sales Tax	\$ <u>88,000</u>
Debt Service	Special Revenue: Local Option Sales Tax	57,000
	Special Revenue: Tax Increment Financing	<u>17,000</u>
		<u>74,000</u>
Total		\$ <u>162,000</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

(8) Risk Management

The City of Slater is exposed to various risks of loss related to torts; thefts, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(9) Commitment

In 2001 the City entered into an agreement with Jissom, Inc. to develop residential housing in a Tax Increment Financing district (T.I.F.) per the City's Urban Renewal Plan. An additional development agreement was made with Jissom, Inc. in 2004. The 2001 and 2004 development agreements were amended in August 2010. Per the amended 2001 agreement, the City is required to contribute \$55,745 to the City's low and moderate income housing fund (L.M.I.) and owes no further amounts to the Developer. Per the amended 2004 agreement, the total maximum amount of reimbursement available to the Developer is \$558,372. The Developer will receive rebates on a semi-annual basis from the Phase III T.I.F. Fund. The timing and value of the future development is unknown, and therefore, the amount of rebate that will be paid each year is indeterminable. The final rebate payment is scheduled for December 1, 2012. Prior to the final payment, if more than 43.90% of the units in the project area are occupied by low and moderate income families, the Developer will be eligible to receive rebates for an additional three years. The City expects the LMI occupancy rate to reach 43.90% and continue to pay the Developer until December 1, 2015.

CITY OF SLATER
Notes to Financial Statements (Continued)
June 30, 2010

(10) Litigation

The City is subject to pending litigation seeking compensatory damages of approximately \$112,279. The City is awaiting an independent engineer's report involving the negligent construction of the pool facilities. Until the report is reviewed, the City will make no decision involving litigation.

(11) Deficit Balance

The water fund had a deficit balance of \$22,137 at June 30, 2010. The deficit balance was a result of capital outlay expenditures. The council will review options to eliminate the deficit in fiscal year 2011.

(12) Date of Management Evaluation

Management has evaluated subsequent events through November 12, 2010, the date on which the financial statements were available to be issued.

CITY OF SLATER
Budgetary Comparison Schedule of Receipts, Disbursements,
and Changes in Balances - Budget and Actual (Cash Basis) -
All Governmental Funds and Proprietary Funds
Required Supplementary Information
Year ended June 30, 2010

	Governmental Funds Actual	Proprietary Funds Actual
Receipts:		
Property tax	\$ 524,951	-
Tax increment financing	192,762	-
Other city tax	156,295	-
Licenses and permits	3,862	-
Use of money and property	7,216	-
Intergovernmental	153,687	-
Charges for services	69,295	562,373
Miscellaneous	11,473	225
Total receipts	<u>1,119,541</u>	<u>562,598</u>
Disbursements:		
Public safety	96,244	-
Public works	121,697	-
Health and social services	-	-
Culture and recreation	209,592	-
Community and economic development	21,312	-
General government	115,131	-
Debt service	335,583	-
Capital projects	327,614	-
Business type activities	-	523,044
Total disbursements	<u>1,227,173</u>	<u>523,044</u>
Excess (deficiency) of receipts over (under) disbursements	(107,632)	39,554
Other financing sources, net	<u>-</u>	<u>13,655</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(107,632)	53,209
Balances beginning of year	<u>1,268,725</u>	<u>304,359</u>
Balances end of year	<u><u>\$ 1,161,093</u></u>	<u><u>357,568</u></u>

Total	Budgeted Amounts		Final to Total Variance
	Original	Final	
524,951	509,574	509,574	15,377
192,762	195,000	195,000	(2,238)
156,295	154,919	154,919	1,376
3,862	1,475	1,475	2,387
7,216	1,650	1,650	5,566
153,687	543,588	543,588	(389,901)
631,668	599,342	599,342	32,326
11,698	15,850	15,850	(4,152)
1,682,139	2,021,398	2,021,398	(339,259)
96,244	100,004	100,239	3,995
121,697	136,405	156,469	34,772
-	1,500	1,500	1,500
209,592	220,172	258,627	49,035
21,312	216,500	43,870	22,558
115,131	108,400	137,397	22,266
335,583	289,933	379,985	44,402
327,614	400,000	521,709	194,095
523,044	532,148	609,119	86,075
1,750,217	2,005,062	2,208,915	458,698
(68,078)	16,336	(187,517)	119,439
13,655	-	(51,500)	65,155
(54,423)	16,336	(239,017)	184,594
1,573,084	1,418,242	1,418,242	154,842
1,518,661	1,434,578	1,179,225	339,436

CITY OF SLATER

Notes to Required Supplementary Information – Budgetary Reporting June 30, 2010

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except Internal Service Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Fund, the Permanent Fund and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements and other financing uses by \$255,353. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2010, disbursements did not exceed the amounts budgeted.

CITY OF SLATER
Schedule of Indebtedness
Year ended June 30, 2010

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation notes:			
Pool	May 1, 2004	3.75 %	\$ 700,000
Fire truck	Mar 1, 2005	4.00	135,000
Pool	Nov 15, 2005	4.00	75,000
Pool, water utility, maintenance shop, fire station and library roof	May 1, 2006	3.80 - 4.70 %	\$ 320,000
Corporate purpose	Apr 15, 2007	5.35 - 5.90	590,000
Corporate purpose	Apr 15, 2007	4.00 - 4.25	535,000
Total			
Revenue bonds and note:			
Water revenue capital loan note	March 2007	3.00 %	\$ - *
Sewer revenue bonds	Nov 13, 2002	3.00	1,500,000
Total			

* Water revenue capital loan note is part of the Drinking Water Program with the Iowa Finance Authority. The note is a revolving loan, with the City able to draw up to \$800,000 when necessary.

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid	Interest Due and Unpaid
450,000	-	70,000	380,000	16,875	-
89,000	-	13,000	76,000	3,560	-
57,500	-	7,000	50,500	2,300	-
195,000	-	50,000	145,000	8,290	-
485,000	-	60,000	425,000	27,427	-
510,000	-	15,000	495,000	21,298	-
\$ 1,786,500	-	215,000	1,571,500	79,750	-
260,972	13,655	31,000	243,627	7,981	-
1,065,000	-	62,000	1,003,000	31,950	-
\$ 1,325,972	13,655	93,000	1,246,627	39,931	-

CITY OF SLATER
Bond and Note Maturities
June 30, 2010

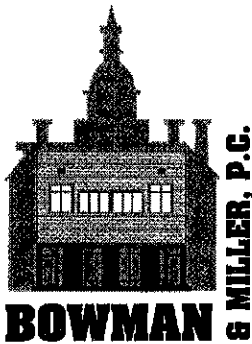
General Obligation Notes						
<u>Year</u> <u>Ending</u> June 30,	Pool		Fire Truck		Pool	
	Issued May 1, 2004		Issued Mar 1, 2005		Issued Nov 15, 2005	
	Interest Rate	Amount	Interest Rate	Amount	Interest Rate	Amount
2011	3.75 %	\$ 70,000	4.00 %	\$ 14,000	4.00 %	\$ 7,500
2012	3.75	75,000	4.00	14,000	4.00	8,000
2013	3.75	75,000	4.00	15,000	4.00	8,000
2014	3.75	80,000	4.00	16,000	4.00	8,500
2015	3.75	80,000	4.00	17,000	4.00	9,000
2016	-	-	-	-	4.00	9,500
2017	-	-	-	-	-	-
2018	-	-	-	-	-	-
2019	-	-	-	-	-	-
Total		<u>\$ 380,000</u>		<u>\$ 76,000</u>		<u>\$ 50,500</u>

Revenue Bonds and Note						
Year Ending June 30,	Water		Sewer		Total	
	Issued Apr 22, 2009		Issued Nov 13, 2002			
	Interest Rate	Amount	Interest Rate	Amount		
2011	3.00 %	\$ 243,627	3.00 %	64,000	307,627	
2012	-	-	3.00	66,000	66,000	
2013	-	-	3.00	68,000	68,000	
2014	-	-	3.00	70,000	70,000	
2015	-	-	3.00	72,000	72,000	
2016	-	-	3.00	75,000	75,000	
2017	-	-	3.00	77,000	77,000	
2018	-	-	3.00	79,000	79,000	
2019	-	-	3.00	81,000	81,000	
2020	-	-	3.00	84,000	84,000	
2021	-	-	3.00	86,000	86,000	
2022	-	-	3.00	89,000	89,000	
2023	-	-	3.00	92,000	92,000	
Total		\$ 243,627		\$ 1,003,000	\$ 1,246,627	

Pool, water utility, maintenance shop, fire station and library roof				Corporate Purpose		Corporate Purpose							
Issued May 1, 2006				Issued Apr 15, 2007		Issued Apr 15, 2007							
Interest Rates		Amount		Interest Rates		Amount		Interest Rates	Amount	Total			
4.10	%	\$	50,000	5.45	%	\$	65,000	4.05	%	\$	15,000	\$	221,500
4.20			15,000	5.55			70,000	4.10			15,000		197,000
4.30			15,000	5.65			75,000	4.15			15,000		203,000
4.40			15,000	5.75			80,000	4.20			15,000		214,500
4.50			15,000	5.85			85,000	4.25			15,000		221,000
4.60			15,000	5.90			50,000	4.10			60,000		134,500
4.70			20,000	-			-	4.15			115,000		135,000
-			-	-			-	4.20			120,000		120,000
-			-	-			-	4.25			125,000		125,000
\$ 145,000				\$ 425,000				\$ 495,000				\$ 1,571,500	

CITY OF SLATER
Schedule of Receipts By Source and Disbursements by Function-
All Governmental Funds
For the Last Five Years

	2010	2009	2008	2007	2006
Receipts:					
Property tax	\$ 524,951	506,681	558,301	408,036	378,411
Tax increment financing	192,762	184,245	168,120	114,191	152,168
Other city tax	156,295	173,291	153,485	158,182	138,232
Licenses and permits	3,862	2,302	12,557	1,400	2,668
Use of money and property	7,216	9,099	10,001	11,127	6,715
Intergovernmental	153,687	328,467	147,336	222,686	191,955
Charges for services	69,295	70,006	49,159	78,361	77,583
Miscellaneous	11,473	55,855	16,727	57,608	32,774
Total	\$ 1,119,541	1,329,946	1,115,686	1,051,591	980,506
Disbursements:					
Operating:					
Public safety	\$ 96,244	92,814	107,186	91,704	122,105
Public works	121,697	208,753	135,687	131,579	225,450
Health and social services	-	1,777	460	-	2,968
Culture and recreation	209,592	223,164	243,194	254,313	510,220
Community and economic development	21,312	9,453	7,376	17,402	-
General government	115,131	81,978	105,134	220,551	277,547
Debt service	335,583	467,647	436,544	172,257	301,751
Capital projects	327,614	475,512	65,700	250,555	-
Total	\$ 1,227,173	1,561,098	1,101,281	1,138,361	1,440,041



C E R T I F I E D ♦ P U B L I C ♦ A C C O U N T A N T S

24 EAST MAIN STREET • MARSHALLTOWN, IOWA 50158 • 641-753-9337 • FAX 641-753-6366
418 2ND STREET • GLADBROOK, IOWA 50635 • 641-473-2717 • FAX 641-753-6366
4949 PLEASANT STREET • SUITE 206 • WEST DES MOINES, IOWA 50266 • 515-278-0286 • FAX 515-278-0287

James R. Bowman, CPA • jim@bowmanandmillerpc.com
Elizabeth A. Miller, CPA • beth@bowmanandmillerpc.com

Independent Auditors' Report on Internal Control
over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Slater, Iowa, as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued our report thereon dated November 12, 2010. Our report expressed unqualified opinions on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with U.S generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Slater's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Slater's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness on the City of Slater's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, we identified a deficiency in internal control over financial reporting we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City of Slater's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency described in Part II of the accompanying Schedule of Findings as Item II-A-10 to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We did not identify any deficiencies in internal control over financial reporting that we consider to be significant deficiencies, as defined above.

Compliance and Other Matters

As a part of obtaining reasonable assurance about whether the City of Slater's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters which are described in Part III of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2010 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The City of Slater's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the City's responses, we did not audit the City of Slater's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Slater and other parties to whom the City of Slater may report, including federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Slater during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Bowman and Miller, P.C.

CITY OF SLATER
Schedule of Findings
Year ended June 30, 2010

Part I: Summary of the Independent Auditors' Results:

- (a) Unqualified opinions were issued on the financial statements which were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.
- (b) A material weakness in internal control over financial reporting was disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.

CITY OF SLATER
Schedule of Findings (Continued)
Year ended June 30, 2010

Part II: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCY:

II-A-10 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted one person has control over each of the following areas:

- (1) Cash receipts - collecting, depositing, journalizing, and posting
- (2) Payroll preparation and distribution.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the City should review its internal control procedures to obtain the maximum internal control possible under the circumstances.

Response – The noted areas will be reviewed to identify duties that could be handled by other personnel or council members.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Part III: Other Findings Related to Required Statutory Reporting:

III-A-10 Certified Budget – Disbursements during the year ended June 30, 2010, did not exceed the amounts budgeted.

III-B-10 Questionable Disbursements – We noted no disbursements that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

III-C-10 Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

III-D-10 Business Transactions – No business transactions between the City and City officials or employees were noted.

III-E-10 Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.

III-F-10 Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not.

CITY OF SLATER
Schedule of Findings (Continued)
Year ended June 30, 2010

III-G-10 Deposits and Investments – A resolution naming South Story Bank & Trust official depository has been approved by the City Council. The maximum deposit amount stated in the resolution was exceeded during the year ended June 30, 2010.

Recommendation – The City should approve a new depository resolution with a higher maximum deposit amount.

Response – The City will approve a new depository resolution with a higher maximum deposit amount.

Conclusion – Response accepted.

III-H-10 Revenue Bonds and Notes – No instances of non-compliance with the revenue bond and note resolutions were noted.

III-I-10 Financial Condition – The Water enterprise fund had a deficit balance of \$22,137 at June 30, 2010.

Recommendation – The City should investigate alternatives to eliminate this deficit in order to return this fund to a sound financial position.

Response – The City will review various options to eliminate the deficit balance in fiscal year 2011.

Conclusion – Response accepted.

CITY OF SLATER

Staff

This audit was performed by:

Bowman and Miller, P.C.
Certified Public Accountants
West Des Moines, IA 50266

Personnel:

James R. Bowman, CPA, Partner
Elizabeth A. Miller, CPA, Partner
Sarah L. Goodman, CPA, Staff